

# EMPLOYEE



## RETENTION TAX CREDIT

Coronavirus Aid, Relief, and Economic Security Act (**CARES Act**)



The Coronavirus Aid, Relief, and Economic Security (CARES) Act created a new employee retention tax credit (ERTC) for businesses that are closed, partially closed, or experiencing a major reduction in revenue losses due to coronavirus. The credit is 50% of up to \$10,000 in wages, including the employer portion of health benefits, paid by an employer.

# WHAT COMPANIES ARE ELIGIBLE IN 2020?



**THE CREDIT IS AVAILABLE TO ALL EMPLOYERS** regardless of size, including tax exempt organizations. To qualify, the employer must:

- 1) **Have operations partially or fully closed due** to government orders due to coronavirus, or;
- 2) **Experience a decline in gross receipts by more than 50% in a quarter compared to the same quarter in 2019.** Once the employer's gross receipts go above 80% of a comparable quarter in 2019, they no longer qualify after the end of that quarter.

*Employers who receive a Paycheck Protection Program (PPP) loan are not eligible for a tax credit.*

## HOW MUCH DOES THE ERTC PROVIDE?



THE AMOUNT OF THE CREDIT IS



The definition of qualifying wages varies by whether an employer had, on average, **more or less than 100 full-time employees in 2019.**

- **IF THE EMPLOYER HAD 100 OR FEWER FULL-TIME EMPLOYEES ON AVERAGE IN 2019,** then the credit is based on wages paid to all employees whether they actually worked or not. Even if the employees worked full-time and got paid for full-time work, the employer still gets the credit.
- **IF THE EMPLOYER HAD MORE THAN 100 FULL-TIME EMPLOYEES ON AVERAGE IN 2019,** then the credit is allowed only for wages paid to employees who did not work during the calendar quarter.

*In both cases, “wages” includes not just cash payments but also a portion of the cost of employer health insurance costs. Employers may not claim the same employee for this credit and the Work Opportunity Tax Credit for the same period.*

# HOW DO I RECEIVE THE CREDIT?

## EMPLOYERS CAN BE IMMEDIATELY REIMBURSED

for the credit by **reducing the amount of payroll taxes they have withheld from employees' wages** that they are required to deposit with the Treasury. Eligible employers will **report their total qualified wages** and the **related health insurance costs for each quarter** on their quarterly employment tax returns or Form 941 beginning with the second quarter.

## IF THE EMPLOYER'S EMPLOYMENT TAX DEPOSITS ARE NOT

**SUFFICIENT** to cover the credit, the **employer may receive an advance payment from the IRS** by **submitting Form 7200, [Advance Payment of Employer Credits Due to COVID-19](#)**. Eligible employers can also request an advance of the Employee Retention Credit by **submitting Form 7200**.

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## RESOURCES

[“FAQs: Employee Retention Credit under the CARES Act,”](#) Internal Revenue Service

[“Employee Retention Tax Credit: What You Need to Know,”](#) U.S. Treasury

[“Form 7200, Advance Payment of Employer Credits Due to COVID-19,”](#) Internal Revenue Service